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90-827

No.

Supreme Court, U.S.
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IN THE

Supreme Court of the United States

OCTOBER 1990 TERM

PORTEC, INC.,

Petitioner,

v.

THE POST OFFICE,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT

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QUESTION PRESENTED

1. Whether the Colorado punitive damages statute which was applicable to this case is unconstitutional in violation of the due process clause of the United States Constitution.

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OPINION BELOW

The decision of the United States Court of Appeals for the Tenth Circuit has been published at 913 F.2d 802.

JURISDICTION

The opinion of the Tenth Circuit was issued on August 27, 1990. This Court has jurisdiction to entertain this petition for certiorari pursuant to the provisions of 28 U.S.C. §1254.

CONSTITUTIONAL PROVISIONS AND STATUTES

1. Fourteenth Amendment to the United States Constitution.

Section 1. All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States and of the state wherein they reside. No state shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any state deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws.

2. Section 13-21-102, C.R.S. (1973).

Exemplary Damages. In all civil actions in which damages are assessed by a jury for a wrong done to the person, or to personal or real property, and the injury complained of is attended by circumstances of fraud, malice, or insult, or a wanton and reckless disregard of the injured party's rights and feelings, the jury, in addition to the actual damages sustained by such party, may award him reasonable exemplary damages.

STATEMENT OF THE CASE

Plaintiff, the Post Office, is a United Kingdom corporation which delivers mail throughout the U.K. and performs other related activities in England. During the 1970's, the plaintiff designed and licensed others to manufacture package handling and sorting chutes under the trademark Safeglide.® These chutes were manufactured principally from fiberglass and had the ability to move packages and other items from one elevation to another in a controlled manner without the use of moving parts.

The defendant, Portec, Inc., is a corporation with its principal place of business in Illinois. The Flomaster division of Portec is located in Canon City, Colorado, and is involved in the manufacture and sale of material handling equipment. Throughout the years, Portec developed a physical plan for fiberglass production and had extensive experience manufacturing products using various fiberglass techniques.

Looking to expand its product line, in 1983 Portec approached the Post Office and expressed an interest in obtaining a license to manufacture and sell Safeglide® chutes in the United States. In the early fall of 1983, the parties began negotiations for a license agreement under which Portec would pay a ten percent royalty to the Post Office for the rights to manufacture and sell Safeglide® chutes in the United States. In addition, Portec was to receive certain confidential information and training from the Post Office pertinent to the design, manufacture and installation of Safeglide® chutes.

Between the fall of 1983 and mid-1985 the parties had extensive negotiations and exchanged numerous written drafts of license agreements. During this period of negotiation, Portec undertook efforts to develop a market in the United States for Safeglide® chutes and, in fact, sold the only such chutes ever sold in the United States.

Over the course of the negotiations, it became apparent to Portec that a license agreement would not be accomplished. After active negotiations between the parties ceased, Portec began manufacturing and selling chutes under the name Spiralglide.

As a result of Portec's activity, the Post Office initiated this litigation, asserting claims of breach of contract; misappropriation of trade secretes; breach of the duty of good faith and fair dealing; trademark infringement; fraud and deceit; false designation of origin; and violations of the plug molding statutes of California, Tennessee and Michigan. Plaintiff voluntarily dismissed its claim for breach of contract prior to trial.

At the close of plaintiff's case, defendant moved for a directed verdict and the trial court granted that motion with respect to plaintiff's claim of violations of the plug molding statutes of California, Tennessee and Michigan.

In answer to special interrogatories, the jury determined that plaintiff had proved its claims of misappropriation of trade secrets, breach of fiduciary duty, false designation of origin under the Lanham Act and fraud. The jury awarded damages in the amount of $79,519.40 on the claims for misappropriation of trade secrets and breach of fiduciary duty. The jury awarded zero damages for the claims of false designation of origin and fraud. In addition, the jury awarded $1,500,000.00 in punitive damages.

The trial court entered judgment based upon the jury's answers to the special interrogatories awarding $79,519.40 as actual damages and $1,500,000.00 as punitive damages. The trial court also granted injunctive relief to plaintiff, prohibiting defendant from manufacturing or selling any non-mechanized spiral chutes for a period of four years. After the judgment on the jury's special interrogatories was entered, the plaintiff sought an award of attorney fees pursuant to the provisions of the Lanham Act. That motion was granted by

the trial court on January 30, 1989, and plaintiff was awarded $619,315.24 in attorney fees and costs.

The Tenth Circuit affirmed in part and reversed in part. The court held, in pertinent part, that the Colorado punitive damages statute did not violate the due process clause of the United States or Colorado Constitutions. The court did, however, find that the amount of punitive damages awarded was excessive and remitted the award to $500,000.00.

This petition for certiorari follows.

ARGUMENT

1. The Colorado Punitive Damages Statute is Unconstitutional in Violation of the Due Process Clause of the United States Constitution

Section 13-17-102, C.R.S. stated:

> In all civil actions in which damages are assessed by a jury for a wrong done to the person, or to personal or real property, and the injury complained of is attended by the circumstances of fraud, malice or insult, or a wanton and reckless disregard of the injured party's rights and feelings, the jury, in addition to the actual damages sustained by such party may award him reasonable exemplary damages.

It is defendant's position that this statute is unconstitutional because it allows unfettered discretion to the jury to award any amount of punitive damage without reasonable limitations based upon the defendant's conduct. Further, such damages are not specifically measured against actual injury, and thereby can be awarded without any objective standard imposed on their amount. Both of these factors constitute a violation of the due process requirements of the fourteenth amendment to the United States Constitution.

Defendant is aware that the Colorado punitive damages statute has previously withstood constitutional challenges in the Colorado Supreme Court. *See Palmer v. A.H. Robins, Inc.*, 684 P.2d 187 (Colo. 1984). However, in two recent decisions, this Court cast serious doubt upon whether the constitutionality of statutes such as §13-21-102 is a settled issue. And, this Court is currently considering this precise issue with respect to the constitutionality of the Alabama punitive damages statute. Specifically, the due process issue being considered is:

> Whether Alabama law, as applied below, violates Due Process by allowing the jury to award punitive damages as a matter of 'moral discretion,' without adequate standards as to the amount necessary to punish and deter and without a necessary relationship to the amount of actual harm caused.

See Pacific Mutual Life Ins. Co. v. Haslip, ___ U.S. ___, 110 S.Ct. 1780, 108 L.Ed.2d 782 (1990).

In *Bankers Life and Casualty Co. v. Crenshaw*, 486 U.S. 71, 108 S.Ct. 1645, 100 L.Ed.2d 62 (1988), this Court was asked to consider various constitutional challenges to the Mississippi punitive damages statute. For reasons related to the insufficiency of presentation of the punitive damage issues in the state court below, the Court declined to specifically decide the constitutional questions. However, several justices indicated serious concern over the constitutionality of punitive damage awards based upon laws such as Mississippi's. Because the Mississippi law is virtually identical to §13-21-102, those comments are equally appropriate to the Colorado statute.

Justice O'Connor, joined by Justice Scalia, concurring in the plurality opinion, wrote separately as follows:

> Appellant has touched on a due process issue that I think is worthy of the Court's attention in an appropriate case. Mississippi law gives juries discretion to award any amount of punitive damages in

any tort case in which a defendant acts with a certain mental state. In my view, because of the punitive character of such awards, there is reason to think that this may violate the Due Process Clause.

Punitive damages are awarded not to compensate for injury but, rather, "to punish reprehensible conduct and to deter its future occurrence." *Gertz v. Welch, Inc.*, 418 U.S. 323, 350, 94 S.Ct. 2997, 3012, 41 L.Ed.2d 789 (1974). Punitive damages are not measured against actual injury, so there is no objective standard that limits their amount. Hence, "the impact of these windfall recoveries is unpredictable and potentially substantial." *Electrical Workers v. Foust*, 442 U.S. 42, 50, 99 S.Ct. 2121, 2127, 60 L.Ed.2d 698 (1979). For these reasons, the Court has forbidden the award of punitive damages in defamation suits brought by private plaintiffs, *Gertz, supra*, 418 U.S., at 349-359, 94 S.Ct., at 3011-3012, and in unfair representation suits brought against unions under the Railway Labor Act, *Electrical Workers, supra*, 442 U.S. at 52, 99 S.Ct., at 2128. For similar reasons, the court should scrutinize carefully the procedures under which punitive damages are awarded in civil lawsuits.

Under Mississippi law, the jury may award punitive damages for any common law tort committed with a certain mental state, that is, "for a willful and intentional wrong, or for such gross negligence and reckless negligence as is equivalent to such a wrong." 483 So.2d 254, 269 (Miss. 1985) (opinion below). Although this standard may describe the required mental state with sufficient precision, the amount of the penalty that may ensue is left completely indeterminate. As the Mississippi Supreme Court said, "the determination of the amount of punitive damages is

> a matter committed solely to the authority and discretion of the jury." *Id.*, at 278. This grant of wholly standardless discretion to determine the severity of punishment appears inconsistent with due process. The Court has recognized that "vague sentencing provisions may pose constitutional questions if they do not state with sufficient clarity the consequences of violating a given criminal statute." *United States v. Batchelder*, 442 U.S. 114, 123, 99 S.Ct. 2198, 2204, 60 L.Ed.2d 755 (1979). Nothing in Mississippi law warned appellant that by committing a tort that caused $20,000 of actual damages, it could expect to incur a $1.6 million punitive damage award. 108 S.Ct. at 1655-56.

More recently, in *Browning-Ferris Industries, Inc. v. Kelco Disposal*, Inc., ___ U.S. ___, 109 S.Ct. 2909, 106 L.Ed.2d 219 (1989), this Court held that the eighth amendment's excessive fines clause does not apply to awards of punitive damages between private parties. However, although the majority opinion refused to reach the due process argument since it was apparently not raised until the parties were before the Supreme Court, the dissenting opinion of Justice Brennan, with whom Justice Marshall concurred, indicates that the due process argument is still of concern to this Court. Justice Brennan's dissent in *Browning-Ferris*, in which Justice Marshall concurred, reiterated that:

> Without statutory (or at least common law) standards for the determination of how large an award of punitive damages is appropriate in a given case, juries are left largely to themselves in making this important, and potentially devastating decision. Indeed, the jury in this case was sent to the jury room with nothing more than the following instruction, 'In determining the amount of punitive damages, you may take account of the character of the defendants, their financial standing, and the nature

> of their acts.' . . . I do not suggest that the instruction itself was in error; indeed it appears to have been a correct statement of Vermont law. The point is, rather, that the instruction reveals a deeper flaw: the fact that punitive damages are imposed by juries guided by little more than an admonition to do what they think is best because the touchstone of due process is protection of the individual against arbitrary action of government [cites] I, for one, would look longer and harder at an award of punitive damages based on such skeletal guidance than I would at one situated within a range of penalties as to which responsible officials had deliberated and then agreed.

109 S.Ct. at 2923.

Justice Brennan summarized the protections afforded by the due process clause as follows:

> The Court has described the mandate of (the due process) clause as a "protection of the ultimate decency in a civilized society," as a guarantee of "fairness between the state and the individual dealing with the state," and as "a fundamental principle of liberty and justice which inheres in the very idea of free government and is the inalienable right of a citizen of such a government." . . . Due process asks whether government has treated someone fairly, whether individual dignity has been honored, whether the worth of an individual has been acknowledged. Officials cannot always silence these questions solely by pointing to rational action taken according to standard rules . . .
>
> It is for these reasons that the due process clause demands of judges more than proficiency and logical analysis. It requires that we be sensitive to the balance of reason and passion that mark a given age,

> and the ways in which that balance leaves its mark on the everyday exchanges between government and citizen.

Brennan, Reason, - *Passion and The Progress of Law*, 10 Cardozo L.Rev. 3, 15-16 (Oct/Nov 1988); *Watson v. Patterson*, 358 F.2d 297 (10th Cir. 1966) (fundamental fairness is the test of due process).

As this Court also recently stated:

> [A] statute which either forbids or requires the doing of an act in terms so vague that [persons] of common intelligence must necessarily guess at its meaning and differ as to its application, violates the first essential of due process of law.

Roberts v. United States Jaycees, 104 S.Ct. 3244, 468 U.S. 609, 629, 82 L.Ed.2d 462 (1984), *quoting Connally v. General Construction Co.*, 46 S.Ct. 126, 269 U.S. 385, 391, 70 L.Ed.2d 322 (1926). The *Roberts* court went on to explain the underlying rationale for this first principle of due process in language which applies directly to this case:

> The requirement that government articulate its aims with a reasonable degree of clarity ensures that state power will be exercised only on behalf of policies reflecting an authoritative choice among competing social values, reduces the danger of caprice and discrimination in the administration of the laws [and] enables individuals to conform their conduct to the requirements of law . . .

Id. Where, as here, an essentially criminal penalty has been imposed, "the standard of certainty is higher." *Kolender v. Lawson*, 103 S.Ct. 1855, 461 U.S. 352, 359 n.8 (1983).

In *Giaccio v. Pennsylvania*, 86 S.Ct. 518, 382 U.S. 399, 15 L.Ed.2d 447 (1966), the court struck down under the due process clause a Pennsylvania statute under which a jury, having acquitted a criminal defendant, was authorized to

award court costs against the defendant. The court condemned the statute as "leav[ing] to the jury such broad and unlimited power in imposing costs . . . that the jurors must make determinations of the crucial issue upon their own notions of what the law should be . . . ." *Id.*, at 403.

Furthermore, a clear majority of the Court has

> recognize[d] that "the alleged deterrence achieved by the punitive damages awards is likely to be outweighed by the costs—such as the encouragement of unnecessary litigation and the chilling of desirable conduct—flowing from the rule, at least when the standards on which the awards are based are ill-defined."

Dunn & Bradstreet, Inc. v. Greenmoss Builders, Inc., 105 S.Ct. 2939 472 U.S. 749, 780 n.4, 86 L.Ed.2d 593 (1985) (Brennan, J., dissenting, joined by Marshall, Blackmun and Stevens, JJ.), *quoting Smith v. Wade*, 461 U.S. 59 (Rehnquist, J., dissenting, joined by Burger, C.J., and Powell, J.).

Where, as here, the standards are not only "ill defined" but were in fact non-existent at the time of trial, Colorado has "no substantial interest in securing for [plaintiff] gratuitous awards of money damages far in excess of any actual injury." *Gertz v. Robert Welch, Inc.*, 418 U.S., 323, at 349.

Justice O'Connor and Justice Scalia voiced the same concern in their concurring opinion in *Bankers Life and Casualty Co. v. Crenshaw, supra* that punitive damages statutes such as Colorado's, violates due process. And, it appears that Justice Rehnquist would hold that punitive damages violates the due process clause. *Smith v. Wade*, Rehnquist, J. dissenting, *supra. Also see, Dunn & Bradstreet, Inc. v. Greenmoss Builders, Inc., supra* (Brennan, J. dissenting, joined by Marshall, Blackmun and Stevens, JJ).

Portec recognizes that the Tenth Circuit remitted the amount of punitive damages from $1,500,000.00 to

$500,000.00. However, this still represents a punitive to compensatory award ratio of more than 6 to 1. That ratio has been found unacceptable by the Colorado General Assembly in its recent amendment of the punitive damage statute. Section 13-21-102 (1987 Repl. Vol. 6A), which was enacted by the legislature in 1986 specifically provides that: "Exemplary damages shall not exceed an amount which is equal to the actual damages awarded to the injured party" unless the court finds particularly egregious conduct in which case the exemplary award may be increased to a sum "not to exceed three times the amount of actual damages." Thus, the form of the earlier version of the punitive damage statute which applied in this case is facially unconstitutional in light of the language enunciated by this Court in *Bankers Life and Casualty Co. v. Crenshaw* and *Browning-Ferris*. And, even after the remittitur entered by the Tenth Circuit the ratio of punitive damages to compensatory damages has been found unacceptable by the Colorado legislature.

CONCLUSION

Since the Colorado punitive damages statute violates the due process clause of the fourteenth amendment to the United States Constitution, Portec requests that this Court grant its petition for writ of certiorari.

Dated this 21st day of November, 1990.

Respectfully submitted,

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CERTIFICATE OF MAILING

I hereby certify that on this 21st day of November, 1990 a true and correct copy of the foregoing **PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT** was mailed by placing the same in the United States Mail, postage prepaid, addressed as follows:

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APPENDIX A

PUBLISH

UNITED STATES COURT OF APPEALS
FOR THE TENTH DISTRICT

THE POST OFFICE, *Plaintiff-Appellee,* v. PORTEC, INC., A Delaware Corporation *Defendant-Appellant.*	NOS. 88-2836 89-1034

APPEAL FROM
THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO
(D.C. Civil Action No. 87-FS-681)

BRUCE A. MENK of Hall & Evans, Denver, Colorado (ALAN EPSTEIN of Hall and Evans, Denver, Colorado and BRETT A. VALIQUET of Hill, Van Santen, Steadman & Simpson, Chicago, Illinois, with him on the briefs), for Defendant-Appellant.

ALAN G. CARLSON (JOHN A. CLIFFORD and DANIEL W. MCDONALD with him on the brief) of Merchant, Gould, Smith, Edell, Welter & Schmidt, P.A., Minneapolis, Minnesota, for Plaintiff-Appellee.

Before MCKAY, ANDERSON, AND BALDOCK, Circuit Judges.

MCKAY, Circuit Judge.

This case involves a challenge to a jury verdict in favor of plaintiff in a misappropriation of trade secrets case.

I. Facts

The Post Office, a United Kingdom corporation that delivers mail throughout the U.K., developed a unique package-handling chute in the 1970's. The Post Office licensed others to manufacture the chutes under the trademark Safeglide®. Portec, Inc. negotiated with the Post Office for a license to manufacture and sell Safeglide® chutes in the United States. The negotiations, however, failed to produce an agreement. During the negotiations, Portec learned a great deal of information regarding the chutes. After active negotiations ceased, Portec began manufacturing and selling virtually identical chutes under the name of Spiralglide.

The Post Office (plaintiff) then filed this action against Portec (defendant) asserting claims of breach of contract, misappropriation of trade secrets, breach of the duty of good faith and fair dealing, trademark infringement, fraud and deceit, false designation of origin, and violations of the plug molding statutes of California, Tennessee, and Michigan. After a jury trial, the jury returned verdicts in favor of plaintiff on its claims of misappropriation of trade secrets, breach of fiduciary duty, false designation of origin under the Lanham Act, and fraud. The jury awarded damages of $79,519.40 on the misappropriation of trade secrets and the breach of fiduciary duty claims. Although the jury found for plaintiff on the claims of false designation of origin and fraud, the jury awarded zero damages on those claims. The jury also awarded $1,500,000.00 in punitive damages. Finally, the district court entered an injunction prohibiting defendant from manufacturing and selling any nonmechanized spiral chutes for four years.

After judgment, plaintiff sought attorney fees under the Lanham Act. The district court awarded $619,315.24 in

attorney fees and costs. Defendant now appeals the trial court's entry of judgment on the jury's verdict and the trial court's award of attorney fees to plaintiff. Defendant makes six challenges to the district court's judgment and to its award of attorney fees. We deal with the arguments in the order in which they were raised by defendant.

II. Motion for Specific Indentification of Trade Secrets

On July 7, 1988, defendant filed a motion requesting the district court to order plaintiff to identify each specific trade secret alleged to be misappropriated and to provide defendant with this information within forty-five days. On July 14, 1988, the district court deferred defendant's motion until trial. On the first day of trial the district court granted the motion. On the second day of trial, defendant received a list of each specific trade secret alleged to be misappropriated. Defendant claims that it was prejudiced by not having the list until trial. Defendant argues that it was unable adequately to prepare for trial without the information requested in its motion.

We refuse to review an issue on appeal that was not raised before the district court. "It is well established in this circuit that 'a party may not sit idly by, watching error being committed, and then raise the claimed error on appeal without having accorded the trial court the opportunity to correct its action.'" *Chevron, U.S.A., Inc. v. Hand,* 763 F.2d 1184, 1186 (10th Cir. 1985) (quoting *Gundy v. United States,* 728 F.2d 484, 488 (10th Cir. 1984)). In *Gundy* we stated that "failure to raise the issue with the trial court precludes any review except for the most manifest error." *Gundy,* 728 F.2d at 488. *See also Burak v. General American Life Ins. Co.,* 836 F.2d 1287, 1291 (10th Cir. 1988); *United States v. Troutman,* 814 F.2d 1428, 1444 (10th Cir. 1987); *United States v. Diaz-Albertini,* 772 F.2d 654, 657 (10th Cir. 1985). In order to preserve an issue for our review, we require parties to make specific objections even when merely formulating issues for

trial. "The need for specific objection applies to rulings on evidence, formulation of issues for trial, arguments of counsel, submission of the case to the jury, instructing the jury and all other matters throughout the trial." *Neu v. Grant,* 548 F.2d 281, 287 (10th Cir. 1977).

In this case, defendant had at least two opportunities to object or bring its position to the attention of the district court. Defendant could have objected on July 14, 1988, when the district court held defendant's motion in abeyance until trial. Defendant could have objected again on July 29, 1988, when the district court ordered trial to begin on August 22, 1988. It was clear on July 29, 1988, that the district court would not rule on defendant's motion until the beginning of trial and that trial would begin in approximately three weeks. Defendant also had an opportunity to explain its allegation of prejudice at trial when the district judge granted defendant's motion.

Defendant chose not to object to the trial court's actions at any time, nor did it seek a continuance in order to respond to the information obtained. The district court was never given an opportunity to correct any possible error. Accordingly, we are precluded from reaching the issue of prejudice based on timing, raised for the first time in this court, because we find no manifest error.

III. Tendered Jury Instruction Number Six

Defendant next challenges the district court's failure to submit to the jury defendant's tendered jury instruction number six. This jury instruction discussed the difference between patented and unpatented articles. At trial, defendant explained its rationale with respect to all of its tendered instructions. However, defendant did not object when the trial court failed to submit tendered jury instruction number six. Again, we hold that this failure to object precludes our review.

Federal Rule of Civil Procedure 51 specifically discusses the failure to object in this situation.

> No party may assign as error the giving *or the failure to give* an instruction unless that party objects thereto before the jury retires to consider its verdict, stating distinctly the matter objected to and the grounds of the objection.

Fed. R. Civ. P. 51 (emphasis added). Defendant did not object to the district court's failure to submit to the jury its tendered jury instruction. We are thus precluded from reviewing the issue on appeal.

IV. Schliem Testimony

Defendant next objects to the testimony of plaintiff's expert witness, Bob Schliem, regarding the ethical standards required of licensed engineers. Mr. Schliem testified at trial that defendant had violated the ethical duties required of engineers. Mr. Schliem relied primarily on his thirty years experience in the industry. However, Mr. Schliem also testified that defendant violated specific provisions of the Code of Ethics for Engineers published by the American Society of Mechanical Engineers and the Code of Ethics of the National Society of Professional Engineers. Defendant argues that testimony from these codes presented only the standard of conduct for *licensed* engineers. Further, defendant points out that none of defendant's witnesses were licensed engineers. Defendant concludes that it was severely prejudiced by Mr. Schliem's testimony because it compared defendant's conduct to an inapplicable and higher standard of care.

We review a trial court's decision to admit expert witness testimony under the abuse of discretion standard. *See, e.g., Karns v. Emerson Elec. Co.*, 817 F.2d 1452, 1459 (10th Cir. 1987); *LeMaire v. United States*, 826 F.2d 949, 953 (10th Cir. 1987).

> Under the abuse of discretion standard, a trial court's decision will not be disturbed unless the appellate court has a definite and firm conviction that the lower court made a clear error of judgment or exceeded the bounds of permissible choice in the circumstances. When we apply the 'abuse of discretion' standard, we defer to the trial court's judgment because of its first-hand ability to view the witness or evidence and assess credibility and probative value.

United States v. Ortiz, 804 F.2d 1161, 1164 n.2 (10th Cir. 1986).

On appeal, defendant does not challenge the admissibility of the two professional codes themselves, although defendant objected to their admission at trial. We note that the trial court correctly admitted the codes themselves as relevant to show at least a related industry standard of conduct. The codes show how licensed engineers are required to behave. This information is relevant even if defendant employed no licensed engineers. At the very least, the codes provide some guidance in determining what conduct is appropriate for unlicensed engineers.

On appeal, defendant essentially challenges only the relevance of Mr. Schliem's testimony that defendant violated specific sections of the challenged codes. However, we hold that defendant waived this argument by failing to object specifically to Mr. Schliem's testimony in the trial court. Defendant objected to the admissibility of the codes, but defendant made no objection as Mr. Schliem testified that defendant violated specific provisions of the codes. Defendant made no argument regarding the use or weight to be given to Mr. Schliem's testimony. In order to urge error on appeal, defendant must object at trial. *See Chevron, U.S.A., Inc. v. Hand*, 763 F.2d 1184, 1186 (10th Cir. 1985). In the absence of any

objection to Mr. Schliem's testimony, we hold that the admission of Mr. Schliem's testimony is beyond our review.[1]

V. Punitive Damages

Defendant presents three separate arguments challenging the jury's award of punitive damages in this case.

A. Lack of Award of Actual Damages

Defendant's first argument is that punitive damages were improper in this case because no actual damages were awarded by the jury for those claims upon which punitive damages would be appropriate. The jury was asked to answer twenty special interrogatories in order to decide this case. The jury answered that plaintiff had proven its claims of misappropriation of trade secrets, breach of fiduciary duty, false designation of origin, and fraud. Next, the jury answered that plaintiff had sustained damages with regard to defendant's misappropriation of trade secrets and breach of fiduciary duty. The jury awarded $79,519.40 in actual damages for the misappropriation of trade secrets or breach of fiduciary duty claims. On the remaining claims, the jury answered that plaintiff suffered damage; but the jury awarded nothing in actual damages. Finally, the jury awarded $1,500,000.00 in punitive damages to plaintiff.

Defendant claims that plaintiff was not entitled to recover punitive damages because the jury awarded actual damages on only the misappropriation of trade secrets and breach of fiduciary duty claims. There was no specific finding that defendant acted willfully or intentionally with regard to the misappropriation and breach of fiduciary duty claims.

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[1] Defendant also could have requested a limiting jury instruction that the jury could use the codes and Mr. Schliem's testimony only as examples of comparable conduct and not as clear enunciations of the standard of care directly applicable to defendant.

Defendant correctly points out that in Colorado punitive damages cannot be based upon claims for which no actual damages have been awarded. *See Moe v. Avions Marcel Dassault-Breguet Aviation*, 727 F.2d 917, 935 (10th Cir. 1984). Therefore, the jury could not have based its punitive damages award on the claims for false designation of origin or fraud. The only claims for which punitive damages would have been appropriate were the claims for misappropriation of trade secrets and breach of fiduciary duty.

Defendant argues that the misappropriation of trade secrets and breach of fiduciary duty claims cannot form the basis of the punitive damages claim because the jury made no specific finding of willful or intentional conduct as to these two claims. We hold, however, that in light of the jury instructions and the jury's answers to the special interrogatories, these two claims form an appropriate basis for a punitive damages award. The trial judge instructed the jury as follows:

> If you have found that Plaintiff has proven either its claims for misappropriation of trade secrets, breach of fiduciary duty or fraud, and that Plaintiff has proven actual damages in connection with any or all of these claims, then you may award Plaintiff reasonable punitive or exemplary damages against Defendant if you find that Plaintiff has proven beyond a reasonable doubt that Defendant's conduct amounted to fraud, malice or willful and wanton conduct.

Record, vol. 10, at 1078. This instruction clearly included both the requirement for actual damages and the requirement for willful conduct.

The jury's answers to the special interrogatories also support the punitive damages award. Interrogatory 1 asks: "Has plaintiff proven its claim of misappropriation of trade secrets against defendant: Answer YES or [sic] NO: *Yes.*" Record, vol. 1, doc. 19, at 1. Interrogatory 2 asks: "Has plaintiff

proven its claim of breach of fiduciary duty against defendant: Answer YES or NO: *Yes*." *Id.* The interrogatories continue:

> If you answered "YES" to Special Interrogatory 1 or 2, answer Special Interrogatory 6. Otherwise, do not answer Special Interrogatory 6.
>
> 6. Do you find that plaintiff has sustained damages as a result of defendant's misappropriation of trade secrets or breach of fiduciary duty?
>
> Answer YES or NO: *Yes*
>
> If you answered "YES" to Special Interrogatory 6, answer Special Interrogatory 7. Otherwise, do not answer Special Interrogatory 7.
>
> 7. What sum of money would compensate plaintiff for its actual damages for its claim of misappropriation of trade secrets or breach of fiduciary duty?
>
> Answer in dollars and cents: [$]*79,519.40*

Id. at 1-2.

The language preceding interrogatory 17 indicates that the jury based its award of punitive damages on its answers to interrogatories 1, 2, 6, and 7. "If you answered "YES" to Special Interrogatory 1 or 2, and, 6 and 7 *or* Special Interrogatory 5, 12 and 13, then answer Special Interrogatory 17. Otherwise, do not answer Special Interrogatory 17." Record, vol. 1, doc. 19, at 3. Because the jury awarded zero damages under interrogatory 13, it could not have relied on interrogatories 5, 12, and 13 as the basis for its punitive damages award. This leaves only interrogatories 1, 2, 6, and 7 as supporting punitive damages. Interrogatory 17 asks: "Do you find that plaintiff is entitled to recover punitive damages from defendant? Answer YES or NO: *Yes*." *Id.* Interrogatory 18 sets the punitive damage amount at $1,500,000.00. See *id.* at 4.

We hold that the language of the special interrogatories, combined with the language of the jury instructions, provides a sufficient basis to uphold the jury's award of punitive damages. The jury was correctly instructed that they could not award punitive damages absent an award of actual damages based on willful conduct. Absent an objection to the instructions made at the trial by defendant, we must assume that the jury followed the instructions given to it. The jury's answers to the special interrogatories never presented any indication that the jury did not believe that defendant's conduct was willful. The only time they were specifically asked whether defendant's conduct regarding any claim was willful or intentional the jury answered "yes." *See* record, vol. 1, doc. 19 at 2. The jury was simply never asked whether defendant's conduct regarding the misappropriation of trade secrets or breach of fiduciary duty claims was willful or intentional.

Any ambiguity in the jury's answers arises as a result of the failure specifically to inquire in the special interrogatories about willful or intentional conduct. However, this is a problem to which defendant should have objected at trial. *Golub v. J.W. Gant & Assocs.*, 863 F.2d 1516, 1521 (11th Cir. 1989). We will not review the sufficiency of the interrogatories when the defendant failed to present the problem to the trial court. We hold that the jury's award of punitive damages was based on appropriate claims.

B. Constitutionality of Colorado Punitive Damages Statute

Punitive damages were awarded in this case under Colorado's old punitive damages statute, Colo. Rev. Stat. § 13-21-102 (1973).[2] Defendant challenges the constitutionality of this statute on due process and eighth amendment excessive fines grounds. We uphold the statute as constitutional.

---

[2] The new Colorado statute limits punitive damage awards to an amount equal to the actual damages. The new statute applies to actions accruing after 1987. *See* Colo. Rev. Stat. § 13-21-102 (1987).

In its reply brief, defendant concedes that its eighth amendment challenge that the statue allows excessive fines has been rejected by the Supreme Court. In *Browning-Ferris Indus., Inc. v. Kelco Disposal, Inc.*, ___ U.S. ___, 109 S. Ct. 2909, 1913-19 (1989), the Supreme Court held that the eighth amendment's excessive fines clause did not apply to civil punitive damages awards.

This court has previously upheld the Colorado punitive damages statute under a due process challenge. In *Malandris v. Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 703 F.2d 1152, 1172-73 (10th Cir. 1981), we held that the old Colorado statute did not violate the due process clauses of the federal or state constitutions. *See also Palmer v. A.H. Robins Co., Inc.*, 684 P.2d 187, 214-17 (Colo. 1984). Defendant points to no Supreme Court action that requires us to question our prior holding supporting the Colorado statute. Thus, our prior opinion is controlling in this case, and the constitutionality of the Colorado statute is affirmed.

C. Remittitur of Punitive Damages Award

Defendant's final argument challenging the punitive damages award is that the award is so excessive that it should have shocked the judicial conscience and a remittitur should have been entered. We agree with defendant that the punitive damages award is excessive, and we order a remittitur to $500,000 in punitive damages.

Although the proper justifications for punitive damages are a matter of state law, the determination of whether a jury award of punitive damages was excessive is a matter of federal law. *See Donovan v. Penn Shipping Co., Inc.*, 429 U.S. 648, 649-50 (1977). In this circuit, remittitur of a jury verdict awarding punitive damages is allowed only when "an award [is] so excessive as to shock the judicial conscience and to raise an irresistible inference that passion, prejudice, corruption or other improper cause invaded the trial. *Specht v. Jensen*, 832 F.2d 1516, 1528 (10th Cir. 1987) (quoting *Malandris*

v. Merrill Lynch, Pierce, Fenner & Smith, Inc., 703 F.2d 1152, 1168 (10th Cir. 1981)). *See also O'Gilvie v. International Playtex, Inc.*, 821 F.2d 1438, 1448 (10th Cir. 1987). In *Malandris*, we announced the factors to be considered in determining whether an award of punitive damages is excessive.

> The proper factors to be considered include: (1) the nature of the act which caused the injury; (2) the economic status of the defendant; and (3) the deterrent effect of the award on others. In addition, Colorado requires that the punitive damages bear some relation to the compensatory award.

Malandris, 703 F.2d at 1177 (citations omitted). We now address each of these four factors.

Although the jury concluded that the acts in this case were willful and intentional, we believe that the nature of these acts is slightly less supportive of a large punitive damages award than if the acts had involved violence or outrageous conduct. We do not in any way condone defendant's activities in this case. We simply point out that there are more reprehensible acts that more easily justify large punitive damages awards.

We next review the economic status of the defendant. Although there is some disagreement in the briefs concerning defendant's net worth, there is no testimony in the record to refute specific testimony at trial that defendant's net worth was $6,942,000.00. Therefore, the jury's punitive damages award of $1,500,000.00 amounted to 21.6 percent of defendant's net worth. We have found no cases affirming an award of punitive damages approaching 21.6 percent of the defendant's net worth. We also note that the jury's award was higher than the $795,194.00 in gross sales that defendant realized from the spiral chutes. Although the record does not contain defendant's profits from these sales, defendant's actual profits would naturally be much lower than the gross

sales figure. Thus, the punitive damages award was nearly twice as high as defendant's total gross sales of the spiral chutes, and the award was substantially higher than defendant's total profits from the venture.

The deterrent effect of the award on others is difficult to measure. We simply note that an award of nearly the total gross sales would almost certainly have a major deterrent effect.

Finally, we analyze defendant's majority argument that the punitive damages award must bear some relation to the compensatory damages award. Defendant points out that the ratio of punitive to actual damages in this case is approximately 19:1. Defendant cites several cases holding that ratios of less than 19:1 were excessive. We note, however, that the ratio of punitive to actual damages is merely one factor to consider in reviewing the excessiveness of an award.

In this circuit, there is no precise ratio that is excessive as a matter of law. For example, in *Bradbury v. Phillips Petroleum Co.*, 815 F.2d 1356, 1366 (10th Cir. 1987), we held that a jury award involving punitive to actual damage ratios of 50,000:1 and 50:1 were not so plainly excessive as to merit reduction or reversal. *See Bradbury*, 815 F.2d at 1366. In contrast, in *Malandris* we found a ratio of 3:1 excessive for reasons other than the ratio itself. *See Malandris*, 703 F.2d at 1177. The punitive damages awarded in *Bradbury* were only $50,000.00 and $25,000.00 based on actual damages of $1.00 and $500.00 respectively. The punitive damages awarded in *Malandris* were $3,000,000.00 based on $1,030,000.00 in compensatory damages. Our holdings of excessiveness in *Malandris* and of non-excessiveness in *Bradbury* indicate that the sheer size of the punitive damages award is relevant to our determination of excessiveness and that the ratio of actual to punitive damages is only one factor in our analysis. Thus, the sheer size of the $1,500,000.00 punitive damages award in this case requires us to review the award with some skepticism.

Nevertheless, we agree with the Colorado Supreme Court that high ratios deserve close judicial scrutiny. "[A] ten-to-one ratio of punitive to compensatory damages warrants close judicial scrutiny . . . ." *Palmer*, 684 P.2d at 220. We recently concluded that the dramatic size of a punitive damages award of $1.25 million, in conjunction with only $400.00 originally in dispute, suggested the possibility that the jury was influenced by passion and prejudice. *See Kelley v. Sears, Roebuck, and Co.*, 882 F.2d 453, 459-60 (10th Cir. 1989). We believe that the possibility of passion and prejudice is also suggested in this case for the same reason.

A final fact that we find relevant in our review of the punitive damages award is the trial court's entry of a broad injunction. The fact that defendant will be prevented from manufacturing or selling spiral chutes for four years requires us to scrutinize carefully the jury's large punitive damages award.

After reviewing all of the relevant factors, we are convinced that the $1,500,000.00 punitive damages award in this case is excessive and beyond a reasonable punitive award under the Colorado statute. We find the award so excessive as to shock our judicial conscience and to raise the inference that passion, prejudice, corruption, or other improper cause invaded the jury's determination.[3] Once we have determined that a punitive damages award is excessive, we must use our judgment to determine an appropriate punitive damages amount, just as the jury used its judgment to arrive at the first figure. In our judgment, $500,000.00 is an adequate punitive damages award. The jury's verdict requires defendant to pay plaintiff an actual damage award of $79,519.40. Defendant is also required to pay plaintiff $580,639,55 in attorney fees and costs and is broadly enjoined from producing spiral chutes for four years. The punitive damage award must be paid on top of these other remedies. In lowering the award to

[3] We do not, however, conclude that the original liability determination was tainted.

$500,000.00, we find the defendant's net worth of only $6,942,000.00 and its total gross sales of $795,194.00 for this product to be dominant factors. We also note that a $500,000.00 punitive damages award is more than six times the award of actual damages.

We conclude that a remittitur must be entered reducing the punitive award to $500,000.00. If plaintiff declines to accept a reduced judgment, there should be a new trial on all issues. Accordingly, we remand this portion of the case to the district court with directions to enter a remittitur order for acceptance of a judgment reducing the punitive award to $500,000.00, or otherwise for a new trial of all issues.

VI. Attorney Fees

After trial, the district court awarded plaintiff $619,315.24 in attorney fees and expenses under section 1117 of the Lanham Act, which is codified at 15 U.S.C. § 1117 (1988). Section 1117 allows the awarding of attorney fees in trademark infringement cases that are "exceptional." 15 U.S.C. § 1117(a) (1988). Defendant initially challenged the trial court's award of attorney fees and costs on four grounds. Defendant now concedes that plaintiff's motion requesting fees was timely filed. Defendant's three remaining challenges are: (1) that attorney fees were improper in this case because it is not an "exceptional case," (2) the jury did not award damages to plaintiff on its Lanham Act claim, and (3) attorney costs and fees should be apportioned to each of plaintiff's claims, and only those fees dealing with the Lanham Act violation should be awarded.

We review a grant of attorney fees under an abuse of discretion standard, although we review any statutory interpretation de novo. "A district court's award of attorney's fees generally is subject to an abuse of discretion standard of review on appeal . . . . Nevertheless, any statutory interpretation or other legal analysis which provides the basis for the

award is reviewable *de novo*." *Supre v. Ricketts*, 792 F.2d 958, 961 (10th Cir. 1986) (citations and footnote omitted). We review the imposition of costs for abuse of discretion. *Billner v. Budig*, 848 F.2d 1032, 1035 (10th Cir. 1988).

This court has previously interpreted the phrase "exceptional cases" in section 1117 of the Lanham Act.

> Section 1117 of Title 15 of the United States Code states that, under the Lanham Act, "[t]he court in *exceptional cases* may award reasonable attorney fees to the prevailing party." (Emphasis added). The legislative history suggests that an "exceptional case" is one in which the trademark infringement can be characterized as "malicious," "fraudulent," "deliberate," or "willful."

VIP Foods, Inc. v. Vulcan Pet, Inc., 675 F.2d 1106, 1107 (10th Cir. 1982) (citations omitted). *See also Takecare Corp. v. Takecare of Oklahoma, Inc.*, 889 F.2d 955, 956-57 (10th Cir. 1989); *Brunswick Corp. v. Spinit Reel Co.*, 832 F.2d 513, 528 (10th Cir. 1987); *Bittner v. Sadoff & Rudoy Indus.*, 728 F.2d 820, 828 (7th Cir. 1984); *Hindu Incense v. Meadows*, 692 F.2d 1048, 1051 (6th Cir. 1982). In its answers to the special interrogatories, the jury specifically found that plaintiff had proven that defendant acted willfully and intentionally with respect to its acts involving trademark infringement or false designation of origin. Record, vol. 1, doc. 19 at 2. In its judgment, the district court specifically found that "defendant's violation of 15 U.S.C. § 1125(a) [involving false designation of origin] was willful and intentional . . . ." Judgment, September 19, 1988, at 2. We hold that the jury's finding that defendant's actions were willful and intentional and the court's finding that defendant's actions were willful and intentional are sufficient to fit within our construction of the term "exceptional" under *VIP Foods*.

Defendant next contends that attorney fees in this case were inappropriate because the jury failed to award money

damages on the Lanham Act claim. Defendant claims that *VIP Foods* created a requirement that actual damages be awarded. Defendant misunderstands the holding of *VIP Foods*. In *VIP Foods*, we simply noted that the plaintiff had suffered no ascertainable damage or loss of profits because of the defendant's use of plaintiff's trademark. We concluded that the fact that no damages were shown and the fact that the trial court found that plaintiff's conduct was not intentional indicated that this was not an exceptional case. We did not create a requirement that actual damages must be awarded in order to qualify for attorney fees.

Section 1117 allows attorney fees to be awarded "to the prevailing party." 15 U.S.C. § 1117 (1988). The jury in this case firmly concluded that plaintiff had been damaged by defendant's actions under its Lanham Act claim. Record, vol. 1, doc. 19 at 2. Thus, we hold that plaintiff was a prevailing party under the Lanham Act. *Cf. Noxell Corp. v. Firehouse No. 1 Bar-B-Que Restaurant*, 771 F.2d 521 (D.C. Cir. 1985) (holding that a defendant who had a lawsuit dismissed, for improper venue, without prejudice to filing in another court, was a prevailing party under the Lanham Act). The jury did not award actual damages under the Lanham Act claim apparently because it felt that plaintiff would be adequately compensated by the jury's award of actual damages under the first claim for relief. In any event, the jury concluded that plaintiff was actually damaged. We hold that a finding of actual damage, regardless of the amount awarded, is sufficient to fulfill the Lanham Act's prevailing party requirement and thus is sufficient to support an award of attorney fees under the Lanham Act.[4]

---

[4] In requesting the introduction of the attorney fees' provision in the Lanham Act, the Department of Commerce stated that the decision "whether to award treble damages, attorney fees, or both, or neither" would be within the trial court's discretion. S. Rep. No. 1400, 93rd Cong., 2d Sess, *reprinted in* 1974 U.S. Code Cong. & Admin. News 7132, 7136.

Finally, we address defendant's argument that attorney fees and costs should be apportioned to each claim and that only the fees and costs associated with the Lanham Act claim should be awarded. The trial court carefully considered defendant's position in making its award. The court concluded that defendant's claims were so tightly bound together that the majority of the work on the Lanham Act claim would also have been necessary for the other claims. However, the trial court reduced the actual award of fees by twenty percent because it found that some of the non-Lanham Act claims involved separate issues and plaintiff was not entitled to attorney fees on the other claims. We hold that the trial court's resolution of the attorney fees issue was not an abuse of discretion. Indeed, we believe that the trial court's solution was a fair answer to the problem presented.

We hold, however, that the trial court abused its discretion when it awarded plaintiff its full costs for the litigation. We believe that plaintiff's costs should have been decreased by twenty percent just as the attorney fees were. The percentage of attorney costs incurred to prepare for the non-Lanham Act claims was presumably similar to the percentage of attorney fees incurred to prepare for the non-Lanham Act claims. The trial court gave no reason for awarding full costs while reducing fees by twenty percent. Thus, we conclude that the trial court's award of full costs was an abuse of discretion and that plaintiff's award of costs should be reduced twenty percent. The trial court awarded plaintiff $193,378.44 in expenses. We now remand the case and direct the district court to enter an order decreasing the award of costs by twenty percent or $38,675.69, for a total expense award of $154,702.75. The award of attorney fees is to remain the same.

VII. Injunction

Part of the judgment entered against defendant included an injunction against the manufacture or sale of spiral chutes.

> [T]he defendant and each if its officers, agents, servants, employees, attorneys, successors and assigns, and all of those in active concert with any of them, are hereby enjoined for a period of four (4) years from manufacturing, selling, fulfilling outstanding quotes, offering to sell, agreeing to sell, or advertising the sale of "Spiralglide" spiral chutes, more particularly identified as spiral chutes with the cross-sectional profile shown by Attachments 1 and 2, or any other non-mechanized spiral chutes.

Judgment, September 19, 1988, at 2. Defendant argues that the injunction was inappropriate on two grounds. First, defendant claims that the trial court failed to make specific findings concerning which trade secrets defendant violated. Thus, the injunction was too broad. Second, defendant claims that the injunction was too broad in that it prohibited the *sale* of spiral chutes in general.

We reverse the grant or denial of an injunction only if the trial court abused its discretion or made a clear error of law. *See Chromalloy American Corp. v. Sun Chemical Corp.*, 611 F.2d 240, 244 (8th Cir. 1979); *Gabrilowitz v. Newman*, 582 F.2d 100, 102 (1st Cir. 1978); *Regents of Univ. of Minnesota v. National Collegiate Athletic Ass'n*, 560 F.2d 352, 365 (8th Cir. 1977); *Triebwasser & Katz v. American Tel. & Tel. Co.*, 535 F.2d 1356, 1358 (2d Cir. 1976).

Neither party suggests that the trial court applied the wrong legal standard or misapplied the law. Defendant simply claims that the trial court abused its discretion. We hold that the trial court's six-page Memorandum Opinion that accompanied its judgment provided a substantial basis for both the propriety and scope of the injunction. We find the court's explanation more than adequate, and thus hold there was no abuse of discretion. The court explained that the trade secrets were

> so necessarily intertwined with the manufacture and sale of spiral chutes that an injunction which falls short of barring the manufacture and sale of any such chutes would fail to adequately apprise defendant as to the prohibited conduct and would create a potential window of opportunity for defendant to engage in conduct which would prevent plaintiff from being made whole for the actions of defendant in breaching the parties' confidential relationship.

Memorandum Opinion, September 19, 1988, at 4. This explanation provides an adequate basis for us to hold that the trial court did not abuse its discretion in refusing to make the injunction specific to certain trade secrets. We also hold that the trial court did not abuse its discretion in prohibiting the sale of spiral chutes. Without this prohibition, enforcement problems could easily occur. Thus, we affirm the injunction precisely as issued by the district court.

VIII. Conclusion

We AFFIRM the trial court's judgment and orders with two exceptions. We AFFIRM the judgment, provided that the plaintiff accepts a reduction in the punitive award to $500,000. Therefore, we REMAND to the district court with directions to enter a remittitur order providing that if, within a reasonable time to be fixed by the district court, the plaintiff accepts a reduction of the judgment reducing the punitive damages award to $500,000, then the judgment as so modified shall be final; otherwise, an order shall be entered granting a new trial of all issues. We REVERSE the trial court's award of full attorney expenses. We REMAND to the district court with directions to enter an order reducing the award of attorney expenses by twenty percent for a total expenses award of $154,702.75.

APPENDIX B

IN THE UNITED STATES DISTRICT COURT OF THE DISTRICT OF COLORADO

THE POST OFFICE,

Plaintiff,

v.

PORTEC, INC.,

Defendant.

NO. 87-F-681

JUDGMENT

A jury trial was had in this matter from August 22, 1988, through August 26, 1988, with the jury returning its answers to twenty proposed special interrogatories on August 26, 1988. Pursuant to the jury's answers and this court's findings regarding injunctive relief, the court enters this judgment as required by Federal Rule of Civil Procedure 58.

IT IS THEREFORE ORDERED, Adjudged and Decreed by the Court as follows:

1. That the Post Office (Plaintiff), recover of Portec, Inc. (Defendant), the sum of $79,519.40 as actual damages, with prejudgment interest thereon at the rate of 8.00% and post judgment interest at the rate of 8.32% for the defendant's misappropriation of the plaintiff's trade secrets and the defendant's breach of its fiduciary duty owed to the plaintiff.

2. That the plaintiff recover of the defendant the sum of $1,500,000.00 as punitive damages, with post judgment interest thereon at the rate of 8.32% due to the defendant's misappropriation of the plaintiff's trade secrets, breach of the fiduciary duty owed to the plaintiff.

3. That the defendant is liable for false designation or origin under 15. U.S.C. §1125(a) in relation to its spiral chutes and plaintiff's spiral chutes. That defendant's violation of 15 U.S.C. §1125(a) was willful and intentional. That

plaintiff sustained actual damages as a result of defendant's violation of 15 U.S.C. §1125(a) in an amount not to exceed $0.00.

4. That the defendant committed fraud against the plaintiff and that plaintiff sustained actual damages as a result of defendants's fraud in an amount not to exceed $0.00.

5. That the defendant is not liable on plaintiff's federal trademark infringement claim under 15 U.S.C. §1114.

6. That the plaintiff is not liable on defendant's fraud claim.

7. That any award of costs or attorney fees shall be assessed following the entry of this judgment. The clerk of the court shall tax costs in accordance with Rule 54(d) of the Federal Rules of Civil Procedure.

Plaintiff is given ten (10) days within which to submit proper application and documentation in relation to costs and attorney fees. Defendant is given ten (10) days thereafter in which to respond.

8. That the defendant and each of its officers, agents, servants, employees, attorneys, successors and assigns, and all of those in active concert with any of them, are hereby enjoined for a period of four (4) years from manufacturing, selling, fulfilling outstanding quoted, offering to sell, agreeing to sell, or advertising the sale of "Spiralglide" spiral chutes, more particularly identified as spiral chutes with the cross-sectional profile shown by Attachments 1 and 2, or any other non-mechanized spiral chutes. The defendant has informed the court of existing quotes to the United States Post Office in Phoenix, Arizona, and the Drake Equipment Company, and the court specifically orders that defendant be enjoined from fulfilling these quotes.

9. That the defendant may service and repair "Spiralglide" spiral chutes previously sold by defendant.

10. That the defendant and each of its officers, agents, servants, employees, attorneys, successors and assigns, and all of those in active concert with any of them, are hereby permanently enjoined from:

a) performing or committing any acts calculated or likely to cause confusion or mistake in the mind of the public, or to lead consumers to believe that any of the defendant's products or services come from or are associated with the goods or services of plaintiff, or are somehow sponsored or connected with plaintiff, or that there is some connection between plaintiff and the defendant, or from otherwise unfairly competing with plaintiff and from committing any other acts which disparage or destroy the public's recognition of plaintiff's "Safeglide" spiral chutes; and

b) from representing or implying to any persons, including members of the trade or consuming public, that defendant is or has ever been a licensee of the plaintiff or that the spiral chutes offered for sale, made, or sold by defendant have been used by the plaintiff or are in any way related to the plaintiff.

11. That defendant shall deliver to plaintiff every mold, pattern, plug, drawing, sketch, or other item which relates to the manufacture or sale of the enjoined "Spiralglide" spiral chute.

12. The defendant shall file with this court within thirty (30) days after entry of the judgment, a written statement under oath setting forth in detail the manner in which it has complied with this order.

This judgment is so entered on this 19th day of September, 1988.

Frank H. Seay
United States District Judge

I hereby certify that on this 19th day of September, 1988 a true and correct copy of the foregoing MEMORANDUM OPINION and the JUDGMENT entered by Chief Judge Frank H. Seay were duly placed in the United States Mail, postage prepaid, addressed as follows:

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(2)

No. 90-827

IN THE
Supreme Court of the United States
OCTOBER TERM, 1990

PORTEC, INC.,

Petitioner,

v.

THE POST OFFICE, INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE TENTH CIRCUIT

RESPONDENT'S BRIEF IN OPPOSITION

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STATEMENT OF THE CASE

1. Clarification as to the conduct of Portec giving rise to the punitive damages award.

The Petitioner (Portec) implies that it "was to receive certain confidential information and training from the Post Office pertinent to the design, manufacture and installation of Safeglide® chutes" once a license was entered. Petition at 2. In fact, Portec received extensive confidential information and training from the Post Office during the confidential negotiations. In supporting the injunctive relief, the district court noted nine categories of misappropriated trade secret information as alleged by plaintiff and as submitted as evidence to the jury. *See* Respondent Appendix (9/19/88 Mem. Op.) at 3a-4a. Portec then used this information to make similar chutes in the U.S. without a license, initially unbeknownst to the British Post Office.

Portec further states that "[o]ver the course of negotiations, it became apparent to Portec that a license agreement would not be accomplished." Petition at 3. Portec omits the fact that, after Portec concluded that it did not want to enter a license, it continued to feign interest in a license in order to obtain additional confidential information and actual Safeglide® chutes from the Post Office. Such information was provided by the Post Office to Portec only because Portec continued to act interested in a license.

Documents written by Portec's general manager, Lon Bechtold, evidenced Portec's fraudulent and deceptive intent while negotiations continued. In December 1984, Mr. Bechtold wrote two memos to his general counsel. One requested a "reading on our legal exposure if we produce chutes without a license." *See* PTX (Plaintiff's Trial Exhibit) 76. Mr. Bechtold admitted in the memo that Portec "had

[received] considerable exchange, models, literature, pricing, prototype installation from the Post Office during negotiations." The other memo admitted that Portec continued to feign insistence on an unimportant clause in the proposed license "in case we didn't choose to sign the agreement on the grounds of this paragraph." PTX 281.

Six days later, Mr. Bechtold telexed the Post Office, *thanking* them for "devoting the extra time to our discussion on the license agreement" and wishing them "the happiest of holidays." PTX 44. In the weeks that followed, Portec continued to request and receive confidential information from the Post Office under the guise of a continued, friendly interest in entering a license. In February 1985, Mr. Bechtold confirmed in an internal memo that Portec ordered two spiral chute sections from the Post Office by calling them "spares" for a customer, when in reality Portec intended to use the chutes as a pattern for manufacturing its own chutes without a license. PTX 59.

By March of 1985, Portec was producing spiral chutes similar to the Safeglide® spiral chutes. PTX 46. In May of 1985, after Portec was up and running as an unlicensed chute manufacturer, it continued to mislead the Post Office by requesting that the license negotiations be regarded as "still open." PTX 45.

Portec also fails to mention that it exploited the Post Office's reputation, too. Portec misrepresented itself as a British Post Office licensee even after deciding to steal rather than pay for the technology. PTX 214A. Portec told a customer that it was able to sell the chutes at a reduced price because the royalty had been "waved [sic]." PTX 313. These are mere examples of the facts demonstrating Portec's premeditated scheme to misuse the reputation and trade secrets of the British Post Office, without paying.

Portec knowingly lied to the British Post Office and spiral chute customers to achieve its goals. The Tenth Circuit confirmed that the award of punitive damages was properly based on willful conduct by Portec, a finding not challenged here. *See Portec, Inc. v. The Post Office*, 913 F.2d 802, 807-09 (10th Cir. 1990) (Petition Appendix at A-10). That Portec challenges only the amount, not the fact, of the punitive damages award is a testament to the substantial evidence of Portec's elaborate scheme to wilfully misappropriate trade secrets, defraud the Post Office, and mislead customers.

2. The statute which Portec requests this Court to review was repealed three years ago.

Portec mentions a "recent amendment" to the Colorado punitive damages statute limiting awards to treble damages. (Petition at 11). In fact, the amended statute applies to all actions accruing after 1987. *See Portec*, 913 F.2d at 809 (Petition Appendix at A-10) fn.2. This action was tried under the old statute which is now repealed.

3. The Tenth Circuit substituted its judgment for the jury's.

In granting remittitur, the Tenth Circuit concluded that it "must use [its] judgment to determine an appropriate punitive damages amount, just as the jury used its judgment to arrive at the first figure." *See Portec*, 913 F.2d at 811 (Petition Appendix at A-14). The Court reduced the punitive damages award to one-third its original amount, or $500,000.00. The Post Office accepted this remittitur in lieu of a new trial. The substituted punitive damages award is approximately 6.3 times the (unchallenged) actual

damages award, and less than the (unchallenged) attorneys' fees and costs award.

REASONS FOR DENYING THE WRIT

Although members of this Court have noted that punitive damages awards may raise important due process issues, the particular facts of the present case do not sharply present issues appropriate for review.

1. Portec failed to properly present the issue to the trial court, instead relying on the statute it now attacks.

Rule 406 of the Local Rules of the United States District Court for the District of Colorado states that the party raising a question as to the constitutionality of a state statute must give special notice to the court and serve a copy of the written notice on the attorney general of the state involved. This rule placed the burden on Portec to ensure compliance with 28 U.S.C. § 2403(b), which required that the attorney general of the state of Colorado be notified that Portec challenged the constitutionality of the former Colorado punitive damages statute. However, Portec did not comply with this local rule.

Consequently, Colorado's attorney general had no opportunity to present arguments for or against the constitutionality of the punitive damages statute. As a result, even if this Court *sua sponte* provided the Colorado attorney general with an opportunity to intervene, this Court would be acting on a legal and factual record not before the lower courts.

Portec did not comply with Rule 406 because Portec had no objection to the statute before or at trial. To the contrary, Portec affirmatively invoked the same Colorado

statute in seeking punitive damages under its (rejected) fraud counterclaim.

The fact that Portec affirmatively relied upon the old Colorado punitive damages statute estops Portec from now questioning the statute's constitutionality. *See, e.g., Electric Co. v. Dow*, 166 U.S. 489, 492-93 (1897) (precluding challenge to constitutionality of damages statute); *United Fuel Gas Co. v. Railroad Comm'n*, 278 U.S. 300, 307-08 (1929) (refusing to hear challenge to statute constitutionality).

Portec failed to give the district court the opportunity to consider its arguments either before or during the trial. To the contrary, Portec was sufficiently satisfied with the constitutionality of the statute to invoke it. Under such circumstances, the Court should exercise its discretion in denying Portec's petition.

2. Deciding the constitutionality of Colorado's repealed punitive damages statute would primarily benefit only the particular litigants.

Portec has not shown that the requirements of Supreme Court Rule 10.1 are satisfied in this case. There is no conflict among the decisions of any courts as to the constitutionality of Colorado's repealed punitive damages statute. *See Portec*, 913 F.2d at 809 (Petition Appendix A at 11).

Moreover, "special and important reasons" for granting the petition are lacking. Portec asks this Court to strike down a statute which the Colorado legislature repealed three years ago. If Portec's Petition is accepted, this Court will find itself sitting merely for the benefit of the particular litigants rather than providing guidance to the courts and legislators on the punitive damages issue.

> A federal question raised by a petitioner may be 'of substance' in the sense that, abstractly considered, it may present an intellectually interesting and solid problem. But this Court does not sit to satisfy a scholarly interest in such issues. Nor does it sit for the benefit of the particular litigants . . . . 'Special and important reasons' [under Rule 10.1] imply a reach to a problem beyond the academic or the episodic. This is especially true where the issues involved reach constitutional dimensions, for then there comes into play regard for the Court's duty to avoid decision of constitutional issues unless avoidance becomes evasion.

Rice v. Sioux City Memorial Parks Cemetery, 349 U.S. 70, 74 (1955) (dismissing writ of certiorari after learning that the state repealed statute at issue) (citations omitted). *See also District of Columbia v. Sweeney*, 310 U.S. 631 (1940) (denying petition for writ of certiorari "in view of the fact that the tax is laid under a statute which has been repealed, and the question is therefore not of public importance.").

Portec has made no showing that the present case has importance beyond the present controversy. To the contrary, even if it is assumed that other states have statutes parallel to Colorado's repealed statute, a decision in the present case will have questionable application on a broader level. The process of awarding punitive damages in other states may vary by the precise statutory language

involved, the instructions given to the jury, trial court review, and appellate review. Under such circumstances, it appears prudent for the court to reserve consideration of the issue raised by Portec for a case demonstrated to have more widespread, relevant, and practical ramifications.

3. Because the Tenth Circuit substituted its judgment for the jury's, the constitutional issue is not sharply presented.

The focus of Portec's attack on the former Colorado punitive damages statute is that the statute "allows unfettered discretion to the jury to award any amount of punitive damage without reasonable limitations based upon the Defendant's conduct. Further, such damages are not specifically measured against actual injury, and thereby can be awarded without any objective standard imposed on their amount." Petition at 4.

The present case does not present these issues. The jury did not exercise "unfettered discretion" in setting punitive damages without reasonable limitations, relationship to actual injury, or an objective standard. To the contrary, Portec received the benefit of a thorough review of the punitive damages award by the Tenth Circuit. Indeed, the Tenth Circuit substituted its judgment for the jury's in reducing the punitive damages award by two-thirds.

The Tenth Circuit considered the nature of the act which caused the injury, the economic status of the defendant including net worth, the deterrent effect of the award, product sales, and the relationship between the punitive damages and compensatory damages. *See Portec*, 913 F.2d at 810 (Petition Appendix A at 12), *citing Malandris v. Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 703

F.2d 1152, 1177 (10th Cir. 1981). The Tenth Circuit even considered the scope of the injunction and the attorneys' fees award to the Post Office, which were remedies entered after the verdict that could not have been considered by the jury.

This process contrasts with the process addressed in the excerpts from *Pacific Mutual Life Insurance Co. v. Haslip*, ____ U.S. ____, 110 S.Ct. 1780 (1990) and *Bankers Life and Casualty Co. v. Crenshaw*, 486 U.S. 71 (1988), cited in the Petition at 5-6. Those excerpts address the award of punitive damages merely as a matter of moral discretion and without considering the amount necessary to punish and deter or the amount of actual harm caused. Such concerns are not involved here.

This Court should defer to the reasoned decision by a three-judge panel of the Tenth Circuit. *See* Justice Marshall's concurrence in *Browning-Ferris Industries, Inc. v. Kelco Disposal, Inc.*, _____ U.S. _____, 109 S.Ct. 2909 (1989), which stated that the court was likely to defer to a punitive damages award "situated within a range of penalties as to which responsible officials had deliberated and then agreed." 109 S.Ct. at 2923 (cited in Petition at 8).

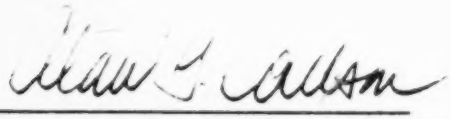
Finally, Portec makes no specific showing that the modified award was excessive. It merely notes that the 6:1 ratio of punitive to actual damages exceeds the 3:1 limit in Colorado's current statute. Portec has not shown that either the amount of the punitive damages award, or the process used to set that amount, was unfair.

CONCLUSION

For all the foregoing reasons, the Petition for Certiorari should be denied.

Respectfully submitted,

THE POST OFFICE, INC.



Alan G. Carlson*
Daniel W. McDonald
MERCHANT, GOULD, SMITH, EDELL, WELTER & SCHMIDT, P.A.
3100 Norwest Center
90 South Seventh Street
Minneapolis, Minnesota 55402
(612) 332-5300

Counsel for Respondent

* Counsel of Record

Dated: December 26, 1990

APPENDIX

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLORADO

THE POST OFFICE,	)	
	)	
Plaintiff,	)	
	)	
v.	)	No. 87-F-681
	)	
PORTEC, INC.,	)	
	)	
Defendant.	)	

MEMORANDUM OPINION

This memorandum opinion is entered simultaneously with the judgment in this case in order to articulate the court's reasoning behind the issuance of the injunctive relief set forth in the judgment. Particularly, the court feels it is necessary to address the propriety and scope of the injunction issued.

At the conclusion of the jury trial of this matter, the jury returned answers to twenty proposed special interrogatories. On the five submitted claims of the plaintiff[1], the jury found liability as to all but one of those claims. The jury found no liability on plaintiff's claim for federal trademark infringement. The jury, however, found defendant liable to plaintiff for misappropriation of trade secrets,

---

[1] Plaintiff's claims for breach of contract, implied covenant of good faith and fair dealing, and violations of the plug molding statutes of California, Tennessee, and Michigan were dismissed by the court prior to submission of the case to the jury.

breach of fiduciary duty, false designation of origin, and fraud. After the jury returned its answers to the special interrogatories, plaintiff moved the court for the issuance of a permanent injunction forever barring defendant from manufacturing, selling, offering to sell, or agreeing to sell defendant's "Spiralglide" spiral chutes or any other non-mechanized spiral chutes. On September 7, 1988, a hearing was held on plaintiff's request for permanent injunction.

This court has not granted plaintiff its requested relief in total as evidenced by the judgment filed herein which enjoins defendant and its officers, agents, servants, employees, attorneys, successors and assigns, and all of those in active concert with any of them, from manufacturing, selling, fulfilling outstanding quotes, offering to sell, agreeing to sell, or advertising the sale of "Spiralglide" spiral chutes or any other non-mechanized chutes for a period of four (4) years. Defendant is further permanently enjoined from actions which would confuse the consuming public into believing that defendant's products and services are associated or connected with plaintiff's and further permanently enjoined from representing or implying that defendant was a licensee of plaintiff.

As ardently as plaintiff sought a complete permanent injunction, defendant was equally insistent on the court exercising its discretion and refraining from issuing any injunction. Defendant maintains that no injunction is warranted by the evidence in this case.

There can be no doubt that some form of injunctive relief is appropriate. The jury found that, among other things, defendant had misappropriated plaintiff's trade secrets and falsely designated the origin of its "Spiralglide" spiral chutes. In fact, the jury found defendant's conduct to be so egregious that it awarded plaintiff 1.5 million dollars for punitive damages. Many courts in trade secret

misappropriation cases have sanctioned the imposition of injunctive relief against the transgressing party. Kodeky Electronics, Inc. v. Mechanex Corporation, No. C-2432, slip op. (D. Colo. June 2, 1972), aff'd, 486 F.2d 449 (10th Cir. 1973); Schulenberg v. Signatrol, Inc., 33 Ill. 379, 212 NE 2nd 865, cert. denied, 383 U.S. 959 (1965); Bryan v. Kershaw, 366 F.2d 497, cert. denied, 386 U.S. 959 (1966); Franke v. Wiltschek, 209 F.2d 493 (2nd Cir. 1953). In the appropriate case, the injunction may prohibit a party from the manufacture or sale of a particular product, and not just the use of the trade secrets involved, when it is established by the evidence that the secrets are so necessarily intertwined with the manufacture and sale of the product. Kodeky Electronics, Inc., 486 F.2d at 458. The trade secrets as alleged by plaintiff and as submitted as evidence to the jury in this case included:

1. Production costs and pricing of plaintiff's "Safeglide" chutes;

2. Identification of plaintiff's licensees, makers, and suppliers of plaintiff's chutes and the terms of any agreements;

3. Identification of the materials used to produce plaintiff's chutes and the selection process for those materials;

4. Actual spiral chute sections, the chute configuration, and the formulas for the gelcoat;

5. Information as to the installation of plaintiff's chutes and theory of principles considered in designing plaintiff's chutes;

6. Drawing, dimension,s and designs of chutes, and information relating to the manufacture of chutes, including tooling and molding processes and preparation and application of materials;

7. Customer names, leads, marketing and promotional materials;

8. Physical inspection and training assistance information;

9. Specification of proper chute design for particular uses and customers and the appropriate applications for particular designs.

The court finds this to be an appropriate case for the imposition of an injunction against defendant's manufacture or sale of non-mechanized spiral chutes. The nature of the trade secrets allegedly misappropriated does not lend itself to a prohibition against the use of a particular trade secret or secrets. To issue an injunction which prohibits only the use of a trade secret or secrets would create enforcement problems which would not be capable of accurate resolution. The trade secrets listed above are so necessarily intertwined with the manufacture and sale of spiral chutes that an injunction which falls short of barring the manufacture and sale of any such chutes would fail to adequately apprise defendant as to the prohibited conduct and would create a potential window of opportunity for defendant to engage in conduct which would prevent plaintiff from being made whole for the actions of defendant in breaching the parties' confidential relationship.

To say that defendant must be prohibited from manufacturing or selling a particular product, such as non-mechanized spiral chutes, is not to say that defendant should forever be barred from such activity. Where trade secret material may be legally copied by competitors, whether through a visual examination of the product or through independent research groups comprised of skilled engineers, accountants, economists, and market researchers, the purpose of the injunctive relief should not be to put a transgressing party out of business or to punish it, but should be to make the injured party whole by fashioning injunctive relief which removes the competitive advantage gained through the appropriation of the trade secrets. See Schulenberg, supra; Kershaw, supra. The court finds that injunctive relief barring defendant from the manufacture or sale of "Spiralglide" spiral chutes or any other non-mechanized spiral chutes for a period of four years properly reflects the balancing of trade secrets allegedly misappropriated to achieve a time frame which removes the competitive advantage gained by defendant through its actions.

Plaintiff would have the court issue the injunction for eight years if a permanent injunction is not to be entered. Plaintiff maintains this eight year period is the time it took for it to develop the compilation of information necessary to produce their "Safeglide" spiral chute. The court finds that plaintiff has exaggerated the importance and unavailability of its information and has failed to take into account that defendant was already in the package handling industry prior to its initial contact with plaintiff, and that defendant had significant experience with marketing techniques, sales and production data, and manufacturing techniques in relation to other chutes, such as flat bottomed steel chutes which, although clearly not as intricate and

highly technical as spiral chutes, establish that defendant was not a neophyte in the industry[2]. The evidence established that much of the financial data and marketing materials submitted as trade secrets were more readily available to defendant than plaintiff wishes to acknowledge.

Accordingly, the court finds four years to be a reasonable time within which to remove the competitive advantage gained by defendant for the actions, found by the jury, to have been committed.

The jury also found that defendant was liable for false designation of origin as to its spiral chutes. In this respect, the court finds that permanent injunctive relief is entirely appropriate and has so ordered by enjoining defendant from actions which would confuse the consuming public regarding its products and from representing or implying that defendant was a licensee of plaintiff.

IT IS SO ORDERED this 19th day of September, 1988.

Frank H. Seay
United States District Judge

---

[2] Plaintiff relies heavily on defendant's 1983 business plan (Plaintiff's Exhibit 618) for the proposition that defendant knew nothing about non-mechanized spiral chutes. In fact, Exhibit 618 states that defendant did not "know enough about the techniques or engineering required." (emphasis added) The conclusion the court draws from this statement is that defendant did have some knowledge but not quite enough to get into the business of making spiral chutes. This is quite different from not knowing anything as plaintiff suggests.

Supreme Court, U.S.
FILED
JAN 11 1991
JOSEPH F. SPANIOL, JR.
CLERK

(3)

No. 90-827

IN THE

Supreme Court of the United States

OCTOBER TERM 1990

PORTEC, INC.,

Petitioner,

v.

THE POST OFFICE, INC.,

Respondent.

REPLY IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT

ALAN EPSTEIN
BRUCE A. MENK
of HALL & EVANS
1200 - 17th Street, Suite 1700
Denver, Colorado 80202
(303) 628-3300

Attorneys for Petitioner

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STATUTES AND OTHER AUTHORITIES	
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I. ARGUMENT

A. Whether the Colorado Punitive Damages Statute Which was Applicable to this Case is Unconstitutional in Violation of the Due Process Clause of the United States Constitution

Initially, the Post Office contends that Portec did not comply with Local Rule 406(B) regarding notification to the attorney general of the state of Colorado of a claim of unconstitutionality. This contention is an apparent oversight of the fact Portec did notify the attorney general of its claim that §13-21-102, C.R.S. violated its due process rights. (Exhibit A) And, the attorney general responded and indicated that it did not intend to intervene in the action. (Exhibit B)

The Post Office then argues that certiorari should not be granted since the Colorado legislature amended §13-21-102 to impose specific limitations on punitive damages awards. Notwithstanding this legislative change, however, the due process rights of defendant and the due process rights of all litigants involved in cases filed before July 1, 1986 are affected by the statute at issue. Therefore, certiorari review is appropriate. *See* Sup. Ct. R. 10(1)(c).

Finally, the Post Office argues that due process has been afforded Portec since the Tenth Circuit Court of Appeals ordered a remittitur. A similar argument is being advanced by the plaintiff in *Pacific Mutual Life Ins. Co. v. Haslip*, ____ U.S. ____, 110 S. Ct. 1780, 108 L.Ed.2d 782 (1990), currently at issue before this Court. There, the plaintiff is arguing that the "*Hammond* review process" announced by the Alabama Supreme Court in *Hammond v. City of Gadsden*, 493 So.2d 1374 (Ala. 1986) provided sufficient due process to a defendant by requiring the trial court to apply certain criteria to review each punitive damage award entered by a jury. Pacific Mutual is advancing the argument that this "*Hammond* review" procedure is inadequate to comply with

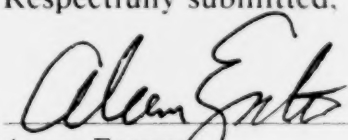
the due process requirements of the United States Constitution. Similarly, it is Portec's contention that the review process involved in permitting an appellate court to gauge whether a verdict is "excessive," while better than no review at all, is still inadequate to meet the requirements of the due process clause. Again, the punitive damage award, even after being reduced by one million dollars, is still more than twice the amount permitted by the Colorado punitive damages statute in its current form.

II. CONCLUSION

For the reasons stated herein, and for the reasons more fully set forth in Portec's petition for writ of certiorari, Portec requests this Court grant its petition for writ of certiorari.

Dated this 11 day of January, 1991.

Respectfully submitted,



ALAN EPSTEIN
BRUCE A. MENK
of HALL & EVANS
1200 - 17th Street, Suite 1700
Denver, Colorado 80202
(303) 628-3300

Attorneys for Petitioner

CERTIFICATE OF MAILING

I hereby certify that on this 11 day of January, 1991 a true and correct copy of the foregoing REPLY IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT was mailed by placing the same in the United States Mail, postage prepaid, addressed as follows:

Alan G. Carlson, Esq.
Daniel W. McDonald, Esq.
MERCHANT, GOULD, SMITH, EDELL,
WELTER & SCHMIDT, P.A.
3100 Norwest Center
90 South Seventh Street
Minneapolis, Minnesota 55402



Exhibit A

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF COLORADO

FILED
U.S. DISTRICT COURT
DISTRICT OF COLORADO

88 SEP 29 P2: 39

JAMES R. MANSPEAKER,
CLERK
BY_____DEP. CLK.

THE POST OFFICE,

Plaintiff,

vs.

PORTEC, INC.,

Defendant.

Civil Action
No. 87-FS-681

NOTIFICATION OF CLAIM OF UNCONSTITUTIONALITY

COMES NOW defendant, Portec, Inc., by and through its attorneys, HALL & EVANS, and, pursuant to local Rule 406(B) herewith submits the following notification of claim of unconstitutionality.

1. Defendant, Portec, Inc., in its motion for judgment notwithstanding the verdict, hereby challenges the constitutionality of Section 13-21-102, C.R.S., prior to its amendment effective July 1, 1986. *See Colo. Sess. Laws 86*, p. 675, §1.

Respectfully submitted,

Bruce A. Menk, #6293
Alan Epstein, #10473
of HALL & EVANS
Suite 1700
1200 Seventeenth Street
Denver, Colorado 80202
Telephone: (303) 628-3300

Attorneys for Defendant

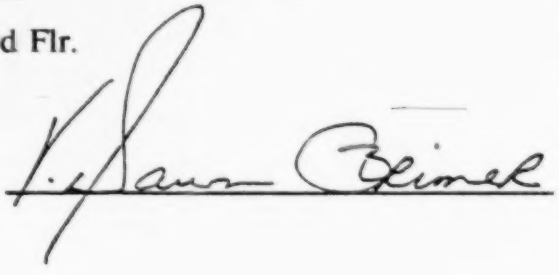
CERTIFICATE OF SERVICE

I hereby certify that on this 29th day of September, 1988, a true and correct copy of the foregoing NOTIFICATION OF CLAIM OF UNCONSTITUTIONALITY was addressed and forwarded to:

John A. Clifford, Esq. (VIA FEDERAL EXPRESS)
Daniel W. McDonald, Esq.
Alan Carlson, Esq.
Merchant, Gould, Smith, Edell,
Welter & Schmidt, P.A.
1600 Midwest Plaza Bldg.
Minneapolis, MN 55402

David G. Palmer, Esq. (VIA U.S. MAIL)
Gibson, Dunn & Crutcher
1801 California St., #4200
Denver, CO 80202

Attorney General (Certified Mail, Return Receipt Requested)
State of Colorado
1525 Sherman St., 3rd Flr.
Denver, CO 80302



P 298 008 967

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

Sent to ATTORNEY GENERAL	
Street and No. 1525 SHERMAN ST., #3rdFlr	
P.O. State and ZIP Code DENVER, CO 80302	
Postage	$ 2.40
Certified Fee	.90
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	.85
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	$ 4.15
Postmark or Date 9/29/88 vdb	

PS Form 3800, June 1985

* U.S.G.P.O. 1985-480-794

FILED
U.S. DISTRICT COURT
DISTRICT OF COLORADO
88 OCT 5 P3:11
JAMES R. MANSPEAKER,
CLERK
BY _____ DEP. CLK.

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

THE POST OFFICE,
Plaintiff,
v.
PORTEC, INC., a Delaware corporation,
Defendant.

Civil Action
No. 87-FS-681

CERTIFICATE OF SERVICE

I hereby certify that on this 5th day of September, 1988, a true and correct copy of the executed Return Receipt originally forwarded (through the United States Postal Service) to the office of the Attorney General of the State of Colorado regarding Defendant's Notification of Claim of Unconstitutionality has been forwarded by United States Mail, postage prepaid, addressed to John A. Clifford, Esq., Daniel W. McDonald, Esq., Merchant, Gould, Smith, Edell, Welter & Schmidt, P.A., 1600 Midwest Plaza Bldg., Minneapolis, Minnesota 55402 and David G. Palmer, Esq., Gibson, Dunn & Crutcher, 1801 California St., #4200, Denver, Colorado 80202. The original Return Receipt is attached to this original Certificate of Service for filing.

Respectfully submitted,
HALL & EVANS

BRUCE A. MENK - #6293
1200 - 17th Street, #1700
Denver, CO 80202
(303) 628-3300
Attorneys for Defendant
PORTEC, INC.

UNITED STATES POSTAL SERVICE

OFFICIAL BUSINESS

SENDER INSTRUCTIONS

Print your name, address, and ZIP Code in the space below.

- Complete items 1, 2, 3, and 4 on the reverse.
- Attach to front of article if space permits, otherwise affix to back of article.
- Endorse article "Return Receipt Requested" adjacent to number.

PENALTY FOR PRIVATE USE, $300

RETURN TO

BRUCE A. MENK of HALL & EVANS
(Name of Sender)

1200 - 17th St., #2900
(No. and Street, Apt., Suite, P.O. Box or R.D. No.)

DENVER, CO 80202
(City, State, and ZIP Code)

PS Form 3811, July 1983

● SENDER: Complete items 1, 2, 3 and 4.

Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

1. ☒ Show to whom, date and address of delivery.

2. ☐ Restricted Delivery.

3. Article Addressed to:

Atty.General/State of Colorado
1525 Sherman St., 3rd Flr.
Denver, CO 80302

4. Type of Service:

☐ Registered ☐ Insured
☒ Certified ☐ COD
☐ Express Mail

Article Number

P 298 008 967

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature – Addressee

X

6. Signature – Agent

X Pat Reed

7. Date of Delivery OCT 3 -

8. Addressee's Address (ONLY if requested and fee paid)

DENVER, COLORADO SUSM STATION OCT 1988

DOMESTIC RETURN RECEIPT

Exhibit B

Duane Woodard
Attorney General
Charles B. Howe
Chief Deputy Attorney General
Richard H. Forman
Solicitor General

The State of Colorado
DEPARTMENT OF LAW
OFFICE OF THE ATTORNEY GENERAL

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October 4, 1988

Bruce A. Menk, Esq.
Alan Epstein, Esq.
Hall & Evans
1200 17th St., Suite 1700
Denver, CO 80202

RE: The Post Office v. Portec, Inc., U.S. District Ct., District of Colorado, 87-FS-681

Dear Messrs. Menk & Epstein:

This is to acknowledge receipt of copies of pleadings in the above-captioned action pursuant to Colorado Rules of Civil Procedure, Rule 57(j).

At this time, we do not intend to intervene in this action on the question of the constitutionality of said ordinance or statute. We would, however, be interested in the final ruling of the court on the question of constitutionality. Therefore, we would appreciate your forwarding a final ruling of the court in this matter.

Thank you for your consideration.

Very truly yours,

Richard H. Forman
Solicitor General

REF:dh
EAG053
cc: John A. Clifford, Esq.
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